

CABINET

19th August 2021

REPORT OF THE LEADER OF THE COUNCIL

BUDGET AND MEDIUM TERM FINANCIAL PLANNING PROCESS 2022/23

PURPOSE

To seek agreement to the Proposed Budget and Medium Term Financial Planning Process for General Fund and the Housing Revenue Account for 2022/23.

RECOMMENDATION

That the proposed process for the General Fund and Housing Revenue Account Budget and Medium Term Financial Planning Process for 2022/23 be adopted.

EXECUTIVE SUMMARY

When Council approved the 2021/22 Budget and Medium Term Financial Strategy on 23rd February 2021, the impact of the Covid-19 pandemic on the economy and ultimately the impact for the Council's finances was uncertain - including any lasting effects for individual businesses and their employees. Social distancing measures have continued impacting mainly on the Council's ongoing income receipts.

In addition, future levels of funding for the Council were uncertain pending the Government's planned reforms to Local Government funding. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% Business Rates Retention and Fairer Funding Review of Relative Needs and Resources) will be deferred again as a result of the pandemic, although no timescales have been released. In addition, the next planned national Business Rates Revaluation, planned for 2021 will take effect from 2023. The reforms were originally planned to be in place by 2020/21 but were previously deferred until 2021/22.

The Government had previously said it will keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth of £2m p.a. (pending the planned business rates baseline reset) and the approach to the 2021/22 local government finance settlement.

It was announced as part of the Spending Review in 2020 and confirmed as part of the settlement that that there would be no reset for 2021/22 however, no papers were published but the Secretary of State confirmed a commitment to the Fair Funding Review and the business rates reset; but in answering questions from MPs he indicated only that there "may be an opportunity next year" to bring forward proposals for reform and he confirmed that he did not know when reform would be implemented.

It is also the Government's intention to look again at the New Homes Bonus for 2022/23 and explore the most effective way to incentivise housing growth. They are consulting on proposals prior to implementation. In the longer-term, the Government remains committed to reform and wants to take time to work with local authorities to make sure that the approach is right following the planned reviews.

With regard to the Housing Revenue Account, a 5 year MTFs was approved by Council including significant investment in meeting future housing needs to sustain the HRA in the longer term.

In light of the ongoing impact of Covid-19 on the Council's Medium Term Financial Strategy, Managers have again been asked to review their budgets and identify all non-essential spending for 2021/22 as part of the quarter 1 projections at 30 June 2021 – as part of a managed underspend plan.

Cabinet on 22nd October 2020 approved the Recovery and Reset programme which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer), exploring opportunities for income generation and identifying any further savings.

An update including recommendations for the next steps was approved at Cabinet 29th July 2021 including the continuing work on the agreed actions to address the financial position in future years:

1. Financial Management and Commerciality – Seeking to remove historic underspends and adopt an in-service approach to rigorous and controlled spending.
2. Smart Working – Exploration of the business impacts around current levels of home working and what the future is for AGILE working.
3. Building Requirements and Utilisation – Consideration of the best use of all our property assets to ensure the council's resources are focused on front line service delivery.
4. Front Reception and Customer Service Offer – Exploration of customer service models to assess the impact of front reception closing during the pandemic and how acceleration of digitising services can be delivered whilst ensuring our most vulnerable customers retain face to face services.
5. Service Re-design and Review – An organisational wide review of each service to identify short, medium and longer-term opportunities to improve delivery of services central to the Council's core purpose and strategic aims.
6. Third Sector Support and Vulnerability Strategy – Recognising that one of the most positive outcomes to the Pandemic is the overwhelming ability of 'anchor organisations and communities' to mobilise and support each other, this project will explore how the Council's commissioning framework can be aligned to build on these foundations going forward and how we define and develop our vulnerability strategy, building on the baseline assessment commissioned over the summer.
7. Economy and Regeneration - Work has continued on the future of our high street and alongside this the economic recovery and regeneration of Tamworth is central to our future Recovery and Reset.

Together with any opportunities arising from the response to the Covid-19 pandemic, for Member consideration during the budget process.

The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

This approach will change the organisation and how it works; will require Members to put evidence and insight at the heart of our decision making to ensure that we are transparent about the rationale for our decisions and plans; will involve managed risks and will sustain essential services critical in supporting the most vulnerable in our communities at a time when demand is increasing and resources reducing.

Corporate Management Team (CMT) and Cabinet review the most up-to-date budget forecasts on a quarterly basis, and discuss the delivery of the planned savings to support our Medium Term Financial Strategy (MTFS).

As part of the budget process, Policy Changes are required in order to amend base budget provision. As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan. Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

The attached Project Plan at Appendix A lists the stages, deadlines and the responsible officers for the production of the budget and medium term financial plan. Appendix B contains an outline of the process whilst Appendix C shows the flow of key stages over the process period.

Budget Consultation

Consultation has been planned to gauge residents', businesses' and other core stakeholders' views on areas of spending or where targeted savings could potentially be made.

The consultation, detailed at **Appendix D**, will be carried out through 3 online surveys. A survey that is tailored for businesses, a full survey aimed at residents and a survey that is tailored for the voluntary and community sector.

The online residents survey will be promoted using social networking/media sites and through email contact databases. The business survey will be promoted through business social networking sites and business email contact databases. The voluntary and community sector survey will be promoted through email contact databases.

Planned changes for 2022 - the Residents' Survey ran from February to April this year, however given the usual purdah period and end of the municipal year, better timing for the survey going forward would potentially be over the Summer period from June onwards or a short sharp survey from September, dependent on the time needed to let the survey run, then analyse evidence and prepare report in readiness for a November Cabinet meeting (on the Budget aspect at least).

Therefore, it is proposed that we take advantage of the higher uptake of the Residents' Survey by combining it with the Budget Consultation survey. This presents the opportunity to review & tailor the Budget Consultation questions using evidence from the first Residents Survey to help inform that process.

Timetable

Significant milestones in the process, detailed at **Appendix A**, are planned as:

- a) Consultation process - results to Cabinet 11th November;
- b) Base budget and technical adjustments to Cabinet 2nd December;
- c) Cabinet to consider Council Taxbase calculation on 2nd December and Business Rates Forecast on 20th January;
- d) Cabinet proposals to a Leaders Budget Workshop 1st December;
- e) Provisional RSG settlement assessment to Corporate Management Team and EMT in December;
- f) Joint Scrutiny Committee (Budget) to be held on 26th January 2022;
- g) Final Budget and Medium Term Plan reports to Cabinet 17th February 2022;
- h) Budgets set at Council 22nd February 2022.

It should be noted that the complexity of some of the issues and the reliance on the Government for Business Rates Retention and RSG data to report will mean that some reports have to be treated as urgent items and/or are considered at a later meeting.

Members are asked to endorse the process to be followed.

OPTIONS CONSIDERED

None

RESOURCE IMPLICATIONS

There are no financial or resource implications arising from the implementation of the Budget and Medium Term Planning Process.

LEGAL/RISK IMPLICATIONS

It is considered that a Medium Risk to the achievement of the planned timetable exists due to the potential for a delay in the:

- Provision of information from managers; and
- Publication of the Local Government Finance Settlement information for each individual authority by the Ministry of Housing, Communities & Local Government (MHCLG).

There also remains a high degree of uncertainty arising from the most significant changes in Local Government funding for a generation - arising from the Fair Funding Review, review of the Business Rates Retention (BRR) scheme, reset of the Business Rates baseline, Spending Review 2021 and the ongoing uncertainty over the funding for the New Homes Bonus scheme.

While we are aware of these forthcoming change, little to no information is available on the potential impact for individual Councils' finances.

We will therefore need to consider the approach to forecasting and planning for these uncertainties balancing the risk to the MTFs against the need for savings and potential service reductions.

The Key Risks are:

- The effect of the Covid-19 crisis on the economy and ultimately the impact for the Council's finances – including any lasting effects for individual businesses and their employees. Social distancing measures have continued – impacting mainly on the Council's ongoing income receipts.
- The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% Business Rates Retention and Fairer Funding Review of Relative Needs and Resources) will be deferred again as a result of the pandemic, although no timescales have been released. In addition, the next planned national Business Rates Revaluation, planned for 2021 will take effect from 2023.

There remains a high risk that these reforms, including the planned Business Rates Reset (when a proportion of the growth in business rates achieved since 2013/14 will be redistributed), will have a significant effect on the Council's funding level from 2022/23.

- Delivery of the planned Investment Strategy actions and associated improved investment returns of 4% p.a. arising from the investment of £24m from the capital receipt received over the period 2016 – 2018 from the sale of the former golf course (to support the MTFs in the long term). Commitments include:
 - Future High Street Fund projects, £3.8m;
 - Lower Gungate site acquisition / development, £4m;
 - Solway Close development, £4m;
 - Investment in property funds with a savings target to return c.4% p.a., £12m (£3.8m invested to date).
- Uncertainty over the ongoing funding for the **New Homes Bonus scheme**. The Government have confirmed that the 4-year legacy payments for New Homes Bonus (NHB) will continue to be paid to 2022/23 – and that the scheme will continue for a “further year with no new legacy payments”, but there still remains uncertainty regarding the future.

The Government plans to consult again in 2021 on the future of the New Homes Bonus, with a view to implementing reform in 2022/23.

- Challenge to continue to achieve high collection rates for council tax, business rates and housing rents – in light of the welfare benefit reforms and the impact of the pandemic on economic conditions and uncertainty.
- Work is continuing on a number of actions to address the financial position in future years including the Recovery and Reset programme approved by Cabinet which aims to consider how we can tackle the financial challenges facing the council as a result of the coronavirus pandemic. This will include reviewing services, reducing waste demand on services (basically this is any action or step in a process that does not add value to the customer),

exploring opportunities for income generation and identifying any further savings. The overriding goal is to make sure our organisation remains fit for the future, while protecting services to the most vulnerable in our community.

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LIST OF BACKGROUND PAPERS

Corporate Vision, Priorities Plan, Budget & Medium Term Financial Strategy 2021/22, Council 23rd February 2021.

APPENDICES

Appendix A

Project Plan for the Budget and Medium Term Financial Planning Process for the year 2022/23

Appendix B

Outline of the Budget and Medium Term Financial Planning Process

Appendix C

Flowchart of the Budget & Medium Term Financial Planning Process

Appendix D

2022/23 Budget Consultation

BACKGROUND INFORMATION

- The Government's ***Fair Funding Review (FFR)*** of the distribution methodology includes:
 - changes to the needs assessment (which will determine each Council's share of the national funding for Local Government – it is likely that this will reflect the impact of Social Care demands and that funding will be redistributed to Unitary and County Councils to the detriment of District Councils);
 - treatment of relative resources (to determine how much each Council can fund locally through income from fees and charges and council tax);
 - any transitional arrangements to protect Councils from significant reductions in funding – and the impact from their unwinding.

- **Spending Review 2021 (SR21)** – where the total spending allocation for Government Departments will be set – including national control totals for Local Government spending. It will set UK Government departments’ resource budgets for the years from 2022/23.
- The ongoing **review of the Business Rates Retention (BRR) scheme** – the Government announced that Councils will be able to retain 75% of business rates collected rather than 100% as previously planned with work progressing on the design of the new system including the impact of ‘rolling in’ grants such as Housing Benefit administration and New Homes Bonus.
- The planned **reset of the Business Rates baseline** for each Council could mean redistribution of the growth, or a proportion of such, achieved since 2013.
- **New Homes Bonus scheme** - review planned on operation of the scheme included local growth in housing numbers and share of the national pool (including the ‘deadweight’ for which Councils no longer receive grant).
- National **Business Rates Revaluation** – latest indications are that the Government will also aim to introduce a **centralised system for business rate appeals** at the same time to cover future changes arising from the next valuation list.

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